



South Carolina Commission on Higher Education

Layton McCurdy, M.D., Chairman
Mr. Daniel Ravenel, Vice Chairman
Col. John T. Bowden, Jr.
Doug R. Forbes, D.M.D.
Dr. Bettie Rose Horne
Dr. Raghu Korrapati
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Mr. James Sanders
Mr. Hood Temple
Mr. Randy Thomas
Mr. Kenneth B. Wingate
Mr. Neal J. Workman, Jr.
Dr. Mitchell Zais

September 10, 2007

Dr. Garrison Walters, Executive Director

The Honorable Marshall C. Sanford, Governor
State of South Carolina

Re: FY 2008-09 CHE Budget Requests

Dear Governor Sanford:

On August 31, 2007, the Commission on Higher Education (CHE) submitted its FY 2008-09 budget requests for the public colleges and universities and for the agency. These requests were made contingent on approval of CHE on September 6. I am writing to confirm that CHE considered and approved the requests as previously transmitted.

As part of its considerations, CHE also accepted for approval three institutional requests for projects termed "below-the-line" requests. These projects are special institutional requests outside of calculations used in determining institutional need for state operating funds. As is the case each year, these institutional requests are reviewed against CHE-adopted criteria. The Frank L. Roddey Small Business Development Center (\$250,000 increase in recurring, USC Columbia), the S.C. Alliance for Minority Participation (\$200,000 increase in recurring, SC State University), and the Transportation Center (\$410,635 increase in recurring, SC State University) met the criteria and were accepted by CHE. Funding for these projects is considered to be included in CHE's request for an increase in higher education operating funding. Therefore, there is no additional change to the previous request. Details for these projects are enclosed.

Please know that CHE is committed to working with the public colleges and universities in the upcoming months to develop a more unified budget approach. As such, please keep in mind that the requested increases for public colleges and universities is broadly defined and changes to structure and content of the recommendations are likely as the process unfolds.

Thank you again for your consideration. Please phone me, Julie Carullo at 737-2292, Gary Glenn at 737-2155, or Jeff Richards at 737-2263 with any questions you may have.

Sincerely,

Garrison Walters

Enclosure

cc: Mr. Bryce Wilson, Office of State Budget
Julie Carullo, Director Governmental Affairs
Jeff Richards, Director of Internal Operations
Gary Glenn, Associate Director, Finance, Facilities & MIS

BELOW-THE LINE ITEMS

The Below-the-Line (BTL) process is used for requesting CHE approval for funding for special items which are extraordinary, and are, as such, not specifically addressed as part of the MRR funding methodology* for continuing operations.

The following criteria are used in determining which BTL requests will be recommended for approval:

1. Requests for funding to continue a previously approved BTL item should be submitted with all appropriate information needed to support continuation.
2. Requests for funding for equipment, routine or deferred maintenance, and/or capital projects will not be considered.
3. General needs requests will not be considered. For example, requests for upgrading a laboratory, requests for upgrading equipment to meet accreditation requirements, requests to fix damage from wear and tear, etc. will not be considered.
4. BTL funding is not intended to address funding deficiencies. Accordingly, requests for funding to make up for past under-funding in the funding methodology or requests to make up for anticipated under-funding will not be considered. For example, requests for upgrading faculty salaries will not be considered.
5. Requests for funding for activities* included in the funding methodology will not be considered unless there is an extraordinary need which makes expenditures in a particular category considerably higher relative to other institutions.

Requests for funding for Academic Programs, courses, and other formally organized instructional activities associated with academic offerings should not be submitted because a provision for these activities is included in the MRR

6. Requests for funding for initiatives requiring a direct state match will be considered with priority given to statewide initiatives.

*Examples include but are not limited to the following:

7. Requests for funding for Public/Community Service activities that are established primarily to provide non-instructional services to individuals or groups external to the institution should not be submitted because a provision for these activities is included in the MRR.
8. Requests for funding for institutes and research centers that are part of a formal research organization created to manage a research effort should not be submitted because a provision for these activities is included in the MRR.

Recommendation

Staff recommends for approval the following three projects which meet the BTL criteria. Funding for these projects is included in the CHE budget recommendation for higher education.

New Request (Y/N)	Name of Request	Brief Description	2007-2008		FY2009 Total Amt Requested	FY2009 Change		Eligibility
			Recurring	Non-Recurring		Requested	Recommended	
University of South Carolina Columbia								
N	The Frank L. Roddey Small Business Development	Provide fee free management and technical assistance to small businesses through a consortium of four universities (USC, Clemson, SC State, and Winthrop) with 15 offices. Federal funds are matched by State funds. (Other Personnel and Operating Expenses)	\$ 936,534		\$ 1,186,534	\$ 250,000	\$ 250,000	<u>Continuing BTL Project Approved.</u>
SC State								
N	SC Alliance for Minority Participation (SCAMP)	The South Carolina Alliance consists of all seven HBCU's in the state, three technical schools, and three non-minority institutions (two of which are major research universities). Initially, there were only eight alliance institutions. However, since 2002 four additional academic institutions A42have become partners. SCAMP is designed to increase the number of SC African-American undergraduate students who pursue Ph.D. opportunities in science, engineering, and mathematics. In doing so, SCAMP will also dramatically increase the number of baccalaureate degrees awarded to African –American students in these disciplines. Since the inception of SCAMP in 1992, minority bachelor's degrees have increased approximately 60%. (Full-time Personnel, Other Personnel, Student Support, Other Operating) (Recurring funds (\$320,327) are currently provided through the CHE budget. Non-Recurring funds (\$200,000) are provided directly to SC State.)	\$ 320,327	\$ 200,000	\$ 520,327	\$ 200,000	\$ 200,000	<u>Continuing BTL Project Approved.</u>
N	Transportation Center	The goal of the James E. Clyburn University Transportation Center is to assist federal, state and local agencies in meeting their goals to develop a highly skilled workforce to meet future needs in ground transportation. A major focus of JECUTC's intermodal research, education, and technology transfer programs is recruitment and training of minorities and women for tomorrow's transportation workforce. (Faculty, Other Personnel, Equipment, Research, Other Operating)	\$ 748,365	\$ 410,635	\$ 1,159,000	\$ 410,635	\$ 410,635	<u>Continuing BTL Project Approved.</u>
		State Totals	\$ 2,255,226	\$ 610,635	\$ 3,115,861	\$ 860,635	\$ 860,635	Total Recurring Funds Requested



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August 31, 2007

Dr. Garrison Walters, Executive Director

The Honorable Marshall C. Sanford, Governor
State of South Carolina

Re: FY 2008-09 Budget Request (CHE Requests for Public Colleges and Universities)

Dear Governor Sanford:

In keeping with the Governor's Executive Budget Request, we have enclosed the **FY 2008-09 budget requests for the public colleges and universities.**

In transmitting these recommendations, staff recognizes it is a desire of the Commission to develop with the higher education community a unified budget approach complete with a consistent and coherent description of the benefits that higher education brings to the state. However, in part due to timing of my appointment as the Commission's Executive Director and the required budget submission deadlines, there is insufficient time for true consultation. Since the Commission's goal is to achieve this unity, making as much progress as practicable in this upcoming budget, the requests herein are broadly defined and changes to structure and content of the recommendations are likely as the process unfolds.

Through the requests for higher education for FY 2008-09, the Commission supports: increased institutional funding; increased student aid, particularly need-based aid; and increased, continued and/or new funding for a variety of collaborative statewide projects that enhance the effectiveness of higher education delivery in South Carolina. Additionally, the Commission finds it critical to continue to advocate for state support for institutional capital needs. In developing the enclosed recommendations, statewide planning initiatives that are underway and the Commission's August hearings, which provided presidents of the state's public colleges and universities the opportunity to inform them of recent activities and discuss their needs, have been considered.

The requests herein are contingent on Commission approval on September 6. Any necessary revisions to this submission will be transmitted following the meeting. Please phone me, Julie Carullo at 737-2292, or Gary Glenn at 737-2155 with any questions you may have.

Sincerely,

Garrison Walters

Enclosure

cc: Layton McCurdy, Chair, and Members of the SC Commission on Higher Education
Gail Morrison, Deputy Director, Director of Academic Affairs & Licensing
Julie Carullo, Director Governmental Affairs
Jeff Richards, Director of Internal Operations
Gary Glenn, Associate Director, Finance, Facilities & MIS

FISCAL YEAR 2008-09 BUDGET PLAN

I. EXECUTIVE SUMMARY

A. Agency Section/Code/Name: H03-H59/Public Colleges and Universities

B. Statewide Mission:

The Commission on Higher Education (CHE) serves as South Carolina's coordinating board for the state's 33 public postsecondary institutions. The Commission has a dual role within state government, acting both as an advocate for higher education as well as an oversight entity on behalf of the General Assembly. The South Carolina Commission on Higher Education promotes quality and efficiency in the state system of higher education with the goal of fostering economic growth and human development in South Carolina. The Commission's values include: the importance of quality higher education; accessibility of higher education to the citizens of the state; accountability of the institutions to their students, the General Assembly and the State's taxpayers; excellence on the part of CHE's staff in performing its functions; and excellence on the part of the institutions in providing education opportunities.

C. Summary Description of Strategic or Long-Term Goals:

The South Carolina Commission on Higher Education's goals are enumerated in the Agency Accountability Report (2006-07 to be submitted in September, (see Section I, Executive Summary and Section III, Category 2, Strategic Planning). Key among the goals in light of the CHE's FY 2008-09 budget request are the following:

(1) to ensure effective and efficient delivery of services; (2) to ensure quality and diversity of academic programs and educational services in South Carolina; (3) to ensure access to and quality of educational opportunities among underrepresented groups in higher education in SC; (4) to expand postsecondary educational opportunities for South Carolinians; (5) to present the needs and develop support for appropriate funding of public colleges and universities and to address strategic issues in public and private higher education as they are identified; and (6) to make South Carolina a global leader by fostering higher education's role in economic growth and human development.

In addressing these goals, the Commission makes recommendations for increased programs for FY 2008-09 on the following programs:

- 1) Investing in Quality Higher Education Outcomes, Institutional Core Operating Needs
- 2) Investing in Student Support for Improved Accessibility
 - a) Need-based Grant Program
 - b) Lottery Tuition Assistance
 - c) National Guard Tuition Assistance
 - d) Merit Scholarship Programs

- 3) Investing in Collaborative Statewide Programs
 - a) Higher Education Electronic Library
 - b) SC LightRail
 - c) Experimental Program to Stimulate Competitive Research (EPSCoR)
 - d) University Center of Greenville, Operating Funds and Debt Service and Maintenance
 - e) SC Manufacturing Extension Partnership Matching Funds
 - f) Lottery Funding for Higher Education
- 4) Investing in Capital Projects

Detailed descriptions of these items are provided in Section II of this request.

D.

Summary of Operating Budget Priorities for FY 2008-09:		FUNDING					FTE's			
		State Non-Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
1) Investing in Quality Outcomes										
Priority No.: 1	Title: Institutional Core Operating Needs	0	\$108,000,000	0	0	\$108,000,000	0	0	0	0.00
Strategic Goal No. Goal 1a in Item C Above; Activity Number N/A										
2) Investing in Student Support for Improved Accountability										
Priority No.: 2a	Title: Need-based Grant Program	0	\$12,000,000	0	0	\$12,000,000	0	0	0	0.00
Strategic Goal No. Goal 1b in Item C Above; Activity Number 297, Educational Endowment; 311, Need-based Grants										
Priority No.: 2b	Title: Lottery Tuition Assistance				\$11,000,000 (lottery funds)	\$11,000,000				
Strategic Goal No. Goal 1c in Item C Above; Activity Number 314, Lottery Tuition Assistance										

Summary of Operating Budget Priorities for FY 2008-09:		FUNDING					FTE's			
		State Non-Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Priority No.: 2c	Title: National Guard Tuition Assistance		\$1,300,000			\$1,300,000				
Strategic Goal No. Goal 1c in Item C Above; Activity Number 304, National Guard Tuition Repayment Program										
3) Investing in Collaborative Statewide Programs										
Priority No.: 3a	Title: Higher Education Electronic Library	0	\$2,500,000	0	0	\$2,500,000	0	0	0	0.00
Strategic Goal No. Goal 1b in Item C Above; Activity Number 307, Electronic Library										
Priority No.: 3b	Title: SC LightRail	\$4,500,000				\$4,500,000				
Strategic Goal No. HE Goal 1d in Item C Above; Activity Number: N/A										
Priority No.: 3c	Title: EPSCoR		\$982,464			\$982,464				
Strategic Goal No. HE Goal 1h in Item C Above; Activity Number 303, EPSCoR										
Priority No.: 3d	Title: Univ. Center of Greenville Operating		\$1,281,301			\$1,281,301				

Summary of Operating Budget Priorities for FY 2008-09:		FUNDING				FTE's				
		State Non-Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Strategic Goal No. HE Goal 1f in Item C Above; Activity Number 283, UCG Operations										
Priority No.: 3e	Title: Greenville Technical College Debt Service		\$635,919		\$635,919					
Strategic Goal No. Goal 1g in Item C Above; Activity Number 281, Greenville TC – Univ. Center										
Priority No.: 3f	Title: SC Mfg. Extension Partnership (SCMEP)		\$1,200,000		\$1,200,000					
Strategic Goal No. Goal 1e in Item C Above; Activity Number 289, SCMEP										
Other – Higher Education Lottery Funding										
Priority: Higher Education Lottery Programs					See Attachment 1 for details					
Strategic Goal No.: Goal 4, 5, and 6 in Item C Above										
TOTAL OF ALL PRIORITIES		\$4,500,000	\$1,27,899,684		\$11,000,000	\$143,399,684	0.00	0.00	0.00	0.00

E. Agency Recurring Base Appropriation:

State \$870,238,781*

Federal\$

Other \$277,472,912** (\$216,585,473 Lottery Programs and \$60,887,439 in non-recurring funds)

* State Funding includes institutional recurring appropriations \$758,208,657 which includes the Academic Endowment and \$111,585,296 in other higher education programs. The higher education programs and funding included here reflects monies to the colleges and universities and also other higher education programs for which CHE is requesting increases in FY 2008-09. Federal funds are not shown.

** Other funding includes all lottery funds for higher education for FY 2007-08 and FY 2007-08 supplemental, capital reserve, and contingency reserve funds for higher education institutions and the projects for which additional funding is requested.

F. Efficiency Measures:

The colleges and universities operate under the Baldrige accountability criteria as required by the state. In addition, the Commission continues to monitor Performance Funding data. On behalf of the institutions, CHE submits a review of institutional assessment activities to ensure accountability and quality programs. The report entitled *A Closer Look at Public Higher Education: Institutional Effectiveness, Accountability and Performance* is submitted to the General Assembly each January for accountability purposes. Information is available on the Commission's website. The Commission and the institutions continue to work together to ensure the system of higher education is effectively contributing to the needs of the state and its citizens. The Commission, along with the institutions, continues to work to ensure adequacy and equity in funding for public higher education institutions. Other program information may be found in the CHE's 2006-07 Agency Accountability report which will be submitted September 14, 2007, as required.

G. Capital Projects:

The Commission on Higher Education has the responsibility for reviewing and recommending capital budget priorities for the state colleges and universities. Attachment 2 lists institutional capital projects ranked in statewide priority order.

Summary of Capital Budget Priorities:			Additional State Funds	Previously Authorized State Funds	Total Other Fund Sources	Project Total
Priority No.:	<u>Project Name:</u> See List of Institutional Capital Budget Requests in Priority Order (Attachment 2) Activity Number & Name:	Project No*: See Attachment 2	\$787,024,781	0	0	\$787,024,781
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
TOTAL OF ALL CAPITAL BUDGET PRIORITIES			\$787,024,781	\$ 0	\$ 0	\$787,024,781

**If applicable*

H. Number of Proviso Changes: CHE is not requesting any Proviso Changes for FY 2008-09.

I. Signature/Agency Contacts/Telephone Numbers: Garrison Walters
Garrison Walters, CHE Executive Director

Contacts: Julie Carullo (803) 737-2292, jcarullo@che.sc.gov
Gary Glenn (803) 737-2155, gglenn@che.sc.gov

II. DETAILED JUSTIFICATION FOR FY 2007-08 OPERATING BUDGET PRIORITIES

A. Agency Section/Code/Name: H03 – H59/ Public Colleges and Universities

B. Priority No. __1__ of __1__

C. (1) **Title:** Investing in Quality Higher Education Outcomes – Institutional Operating Funds

(2) **Summary Description:** This request is for increased operating funds for the colleges and universities to provide instruction and services for quality outcomes.

(3) **Strategic Goal/Action Plan (if applicable):** This funding supports the goal of presenting the needs and developing support for appropriate funding of public colleges and universities and the goal of the higher education community to address funding inequities that have resulted across institutions in regard to the levels of state funding to estimated institutional need. The request is for increased base operating funds of \$108,000,000 in FY 2008-09.

D. Budget Program Number and Name: N/A

E. Agency Activity Number and Name: N/A

F. Detailed Justification for Funding:

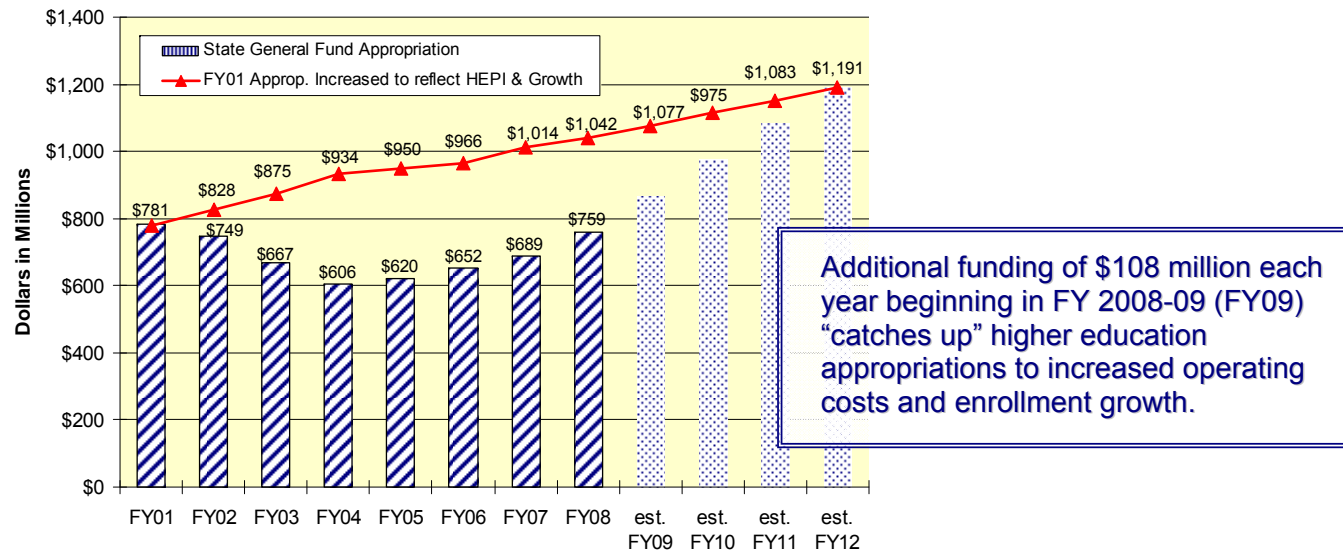
(1) **Justification for Funding Increase:** Higher Education in South Carolina plays an increasingly critical role as the state competes in the new knowledge-based economy. It is clear that our state must enroll and graduate greater numbers of its population if we are to improve our competitiveness. Doing so requires accessible, affordable and accountable public higher education institutions. To maximize our ability to compete effectively in the knowledge economy, the state must move its overall investment in higher education to a level that allows our institutions to meet the increasing statewide demand for greater levels of intellectual capital. Adequate funding of core operating costs not only enhances the effectiveness and quality with which our colleges and universities deliver on these demands but also mitigates the need for increased tuition and fees. In turn, our institutions will continue to remain affordable and accessible for all qualified South Carolinians.

Public colleges and universities have two primary sources of revenue available to fund core operating expenses: state general funds and student tuition and fees. A balance is critically important in assuring continued access to higher education. Our institutions have kept pace in the face of diminishing state revenues by implementing efficiencies across institutional operations, eliminating unnecessary expenditures, reducing programs, and unfortunately, by increasing tuition and fees and relying more on part-time faculty. To ensure adequate state funding of core operating expenses, several factors are vitally important for consideration. First, inflation must be taken into account. Higher education must compete in a very different market than the average employer. A majority of institutional costs, for example, are associated with recruiting and competing for well-qualified faculty, and the most knowledgeable people are commanding higher salaries in a knowledge-based economy. Considering inflationary increases in line with this market on an on-going basis is critical. Second, growth must be a factor.

Our institutions must serve more students each year – a demand that will continue as we become more successful in graduating greater numbers of our students from high school. Additionally, there are constantly increasing demands for educational services such as research and training that must be taken into account.

Figure 1 below illustrates what has happened since FY 2000-01 in overall state higher education operating appropriations compared to growth and inflation. Public higher education funding for core operating needs today is \$22 million below funding in FY 2000-01 in actual dollars. Had growth in core operating needs kept pace with the higher education price inflation (HEPI) and student enrollment growth during that time, higher education appropriations would be substantially higher. The Commission and college and university leaders recognize the increasing demands on the state to fund not only higher education but other vital state services. However, in the long run, an increased investment in higher education will maximize more rapidly the state's potential to compete.

Figure 1. State Operating Appropriations compared to Appropriations Adjusted for Increased Operating Costs and Enrollment Growth. The Higher Education Price Index (HEPI) is used to adjust costs and the annual percent change in full-time equivalent enrollment (FTE) is used to adjust for enrollment growth. State Appropriations FY 2000-01 to FY 2007-08 are actual dollars. The trend line shows the actual state appropriations from FY 2000-01 to FY 2007-08 projected through FY 2011-12 to reflect increased costs and enrollment growth. The latest HEPI value of 3.4% and the latest enrollment change of 0.9% are used to carry out the trend line from FY 2008-09 through FY 2011-12.



If the state appropriations for higher education operating expenses were caught up to the rising needs due to increased costs and enrollment, it would take approximately \$318 million more than the current funding level. Obviously, this is not possible in one year alone. If \$108 million were provided over the next four years, state funding for higher education would catch up with increasing costs and growth needs by FY 2011-12 (assuming HEPI stabilizes at 3.4% and growth at 0.9%) and would greatly reduce the need and dependence on increased student tuition and fees to meet those needs. As a result, the Commission requests consideration of increased funding of \$108 million in FY 2008-09 and over the next three years in order to keep pace with inflation and growth that higher education will experience next year and in upcoming years.

In regard to allocation of the requested funds across the 33 institutions, the Commission staff is not yet recommending how the funds are to be allocated. It is a priority of the Commission to achieve a stable and reliable funding mechanism for higher education operating budgets that will most effectively address the needs of the state from higher education. Staff will continue to work in consultation with our 33 colleges and universities in the upcoming months to develop a unified approach for allocation of the needed increase in operating funding.

FY 2008-09 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*					0.00
(b) Personal Service					\$ 0
(c) Employer Contributions					\$ 0
Program/Case Services					\$ 0
Pass-Through Funds					\$ 0
Other Operating Expenses		\$108,000,000			\$108,000,000
Total	\$ 0	\$108,000,000	\$ 0	\$ 0	\$108,000,000
<i>* If new FTEs are needed, please complete Section G (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation:

State \$ 758,653,475*
Federal \$
Other \$

*FY 2007-08 base appropriation for higher education institutions' includes \$758,653,475 operating appropriations and \$444,828 in Academic Endowment Funds. Federal and other funds are not provided here.

(4) Is this priority associated with a Capital Budget Priority? No

G. Detailed Justification for FTEs: N/A

H. Other Comments: See institutions' budget requests for other applicable information.

A. **Agency Section/Code/Name:** H03 – H59/ Public Colleges and Universities

B. **Priority No.** 2 of 3

C. **(1) Title:** Investing in Student Support for Improved Accessibility

(2) Summary Description: The Commission is requesting increased funding for state scholarship programs to ensure continued affordability. Increases are requested for the Need-based Grant Program and Lottery Tuition Assistance. Non-recurring FY 2007-08 funding made recurring is requested for the National Guard Tuition Assistance program. Continued full funding of the state's merit programs including Palmetto Fellows, LIFE and HOPE scholarships is also requested.

(3) Strategic Goal/Action Plan (if applicable): This funding supports agency goals to ensure access to and quality of educational opportunities among underrepresented groups in higher education in SC, to expand postsecondary educational opportunities for South Carolinians; and to make South Carolina a global leader by fostering higher education's role in economic growth and human development.

D. **Budget Program Name and Number:** Need-based Grant Program, National Guard Tuition Assistance 96050000,
Lottery Tuition Assistance, Palmetto Fellows, LIFE and HOPE

E. **Agency Activity:** 311 & 297 Need-based Grant Program, 304 National Guard Tuition Assistance, and
314 Lottery Tuition Assistance, 312 Palmetto Fellows, 306 LIFE, and 310 HOPE

F. **Detailed Justification for Funding**

(1) Justification for Funding Increase: State-supported scholarships and grants are providing incentives and support for deserving students pursuing post-secondary education. CHE is requesting continued support of these programs and requests the following considerations:

a.) Increase \$12,000,000 for the CHE Need-based Grant Program: Sufficient support for need-based grants is critical to success in improving the number of South Carolinians who enter college and graduate. In recent years, funding for merit-based scholarships has grown to keep pace with increased numbers of eligible students, but funding for need-based grants has not. As a result, a significant imbalance exists between merit-based and need-based student aid. The state's merit programs (Palmetto Fellows, LIFE and HOPE) represented 63% of approximately \$273 million in dollars awarded in FY 2006-07, whereas state need-based aid programs (CHE Need-based and Tuition Grants) represented 19%, and Lottery Tuition Assistance at two-year institutions represented 18%. The most recent survey (AY 2005-06) by the National Association of State Student Grant Aid Programs shows that South Carolina is far below the national average in need-based aid, and recent CHE surveys of our institutions demonstrate that despite overall increased student aid, a sizable affordability gap remains for our state's neediest students. The Commission and the higher education community support a substantial increase to need-based funding to ensure affordable and accessible education for our state's neediest students. CHE recommends that movement toward closing this affordability gap over the next several years be a core state priority. To begin addressing the gap, \$12 million for our Need-Based Grant Program at public institutions is requested. See CHE 2006-07 Accountability Report Section 7.1-3 for additional details.

b.) Increase \$11,000,000 for the Lottery Tuition Assistance Program: To maintain high access at the state's two-year institutions, CHE supports an increase to the Lottery Tuition Assistance Program to ensure sufficient funds to stabilize the available per student grant funds. The Lottery Tuition Assistance program funds are made available to degree-seeking students who are enrolled at two-year public and independent colleges and who are taking at least six credit hours. The program is funded with lottery funds with awards limited to the extent funding is appropriated. In FY 2007-08, there are \$47.6 million in appropriated lottery funds. The award level per full-time student has been set at \$864, for fall 2007, a reduced amount from spring 2007 due to program growth. As has been the case since the inception of the program in FY 2002-03, the award level must be revisited each semester. The number of students provided awards has increased by 37% since FY 2002-03. Increased funds are needed to ensure the current grant level may be maintained and increased to the targeted goal of \$996 stipulated in the lottery appropriation proviso. The requested increase brings the program total to \$58 million. See CHE 2006-07 Accountability Report Section 7.1-3 for additional details.

c.) Continue \$1,300,000 in non-recurring as recurring for the National Guard Tuition Assistance Program: During the 2007 legislative session, the General Assembly passed legislation ending the National Guard Loan Repayment Program and substituting a tuition assistance program for National Guard members. The National Guard Tuition Assistance Program is intended to assist the National Guard in its recruiting efforts. Based on fiscal impact estimates for the change in the program from a loan repayment program to a tuition assistance program, the General Assembly provided an additional \$1.3 million. However, the funds appropriated were non-recurring funds. CHE recommends that this funding be continued as recurring state funds so that full program funding is maintained at \$3 million. See CHE 2006-07 Accountability Report Section 7.1-3 for additional details.

d.) Continue full funding of the state merit-based scholarship programs: CHE requests continued full funding of the Palmetto Fellows, LIFE and HOPE programs. Additional information on these programs is found in Attachment 1 relating to lottery-funded programs. Program information is available in CHE's 2006-07 Accountability Report in Section 7.1-3.

(2)

FY 2008-09 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*	0	0	0	0	0.00
(b) Salary	0	0	0	0	\$0
(c) Fringe Benefits	0	0	0	0	\$0
	0	0	0	0	0
Program/Case Services	0	0	0	0	\$ 0
Pass-Through Funds	0	0	0	0	\$ 0
Other Operating Expenses	0	\$13,300,000	0	\$11,000,000	\$23,300,000
	0	0	0	0	\$ 0
Total	\$ 0	\$13,000,000	\$ 0	\$11,000,000	\$23,300,000

(3) Base Appropriation:

State	\$ 106,824,946
Federal	\$
Other	\$ 163,346,445

Table above reflects increased program funds for Need-based (\$12,000,000), National Guard Tuition Assistance (\$1,300,000), and Lottery Tuition Assistance (\$11,000,000). Base Appropriations include Palmetto Fellows, LIFE, HOPE, Need-based, National Guard Tuition Assistance and Lottery Tuition Assistance scholarship and grant programs. Other funds include \$2,427,576 in Education Endowment funds, \$1,300,000 in National Guard Tuition Assistance supplemental funds, and \$159,618,869 in lottery funds.

(4) Is this priority associated with a Capital Budget Priority? No

G. Detailed Justification for FTEs: N/A

H. Other Comments: None

A. **Agency Section/Code/Name:** H03 – H59/ Public Colleges and Universities

B. **Priority No.** 3 of 3

C. **(1) Title:** Investing in Collaborative Statewide Programs

(2) Summary Description: CHE requests increased recurring funds or continued FY 2007-08 non-recurring for several higher education initiatives and programs that address statewide needs for higher education. Among the requested increases or recommendations for FY09 consideration are the following: Higher Education Electronic Library, SC Light Rail, Experimental Program to Stimulate Competitive Research (EPSCoR), University Center of Greenville, and South Carolina Manufacturing Extension Partnership (SCMEP). The requests and justification are outlined below.

(3) Strategic Goal/Action Plan (if applicable): The requests included in this priority relate to the following statewide agency goals: (1) to ensure effective and efficient delivery of services; (2) to ensure quality and diversity of academic programs and educational services in South Carolina; (3) to ensure access to and quality of educational opportunities among underrepresented groups in higher education in SC; (4) to expand postsecondary educational opportunities for South Carolinians; (5) to present the needs and develop support for appropriate funding of public colleges and universities and to address strategic issues in public and private higher education as they are identified; and (6) to make South Carolina a global leader by fostering higher education's role in economic growth and human development.

D. **Budget Program Name and Number:** Statewide Electronic Library 98160000, SC LightRail, EPSCoR 96140000, University Center of Greenville Operating 010800000 and Debt Service & Maintenance 01060000, and SCMEP 05100000

E. **Agency Activity:** 307 Statewide Electronic Library, SC LightRail (see USC Columbia, Clemson and MUSC Activity Inventories), 302 & 303 EPSCoR, 281, 282 & 283 University Center of Greenville Operating and 283 Debt Service & Maintenance, and 289 SCMEP

F. **Detailed Justification for Funding**

(1) Justification for Funding Increase: CHE requests considerations for the following collaborative statewide programs:

a.) Higher Education Electronic Library (\$2,500,000 recurring to continue \$2,000,000 non-recurring and provide an increase of \$500,000 in new recurring funds): CHE, along with public and private institutions, supports the continued funding of the Statewide Higher Education Electronic Library – a cooperative and collaborative effort among our public and private higher education libraries that is transforming how the state's citizens access vital academic information. The higher education electronic library significantly enhances the quality of undergraduate education and eliminates duplicated expenditures by enabling a mechanism for group purchases at better prices of essential sophisticated electronic academic databases that will be available to all of South Carolina's higher education libraries. The project is now in its fourth year of funding. Each year \$2,000,000 has been provided in non-recurring funding. CHE seeks to establish this project in recurring funds at \$2,500,000. The request provides continued funding of \$2,000,000 and increased funding of \$500,000. The increase is needed to

provide access to additional scientific databases that will greatly enhance graduate study and research. Recurring funds are needed so that project staff is better able to predict funding which will lead to an improved ability to negotiate the best contracts for the state.

b.) SC LightRail (continue of \$4,500,000 non-recurring appropriated for FY 2007-08): The SC LightRail is a collaborative project by Clemson University, the Medical University of South Carolina, the University of South Carolina and the Health Sciences S.C. (HSSC) partners (Palmetto Health, Greenville Hospital System, and Spartanburg Regional Healthcare System), and the S.C. Research Authority (SCRA). In addition, industry research entities and additional universities and technical colleges and research institutes will be encouraged to participate. The project will provide an ultra-high-speed, ultra-high-bandwidth network and applications service which will unite universities, hospitals, and research-based institutions. The project will allow the state to connect to the National Lambda Rail Network and thereby provide access to nationwide supercomputing and research application resources across the United States. State appropriations totaling \$4.5 million dollars in non-recurring funds were appropriated for FY 2007-08. CHE supports continuation of these funds in FY 2008-09 as the establishment of the project continues.

c.) Research Initiative – EPSCoR (\$982,464 recurring increase): The Experimental Program to Stimulate Competitive Research (EPSCoR) is a merit-based federal/state/institutional partnership designed to decrease the undue geographic concentration of federal research investments. EPSCoR is based on the premise that university faculty and students are valuable resources which can be used to build a competitive science and technology enterprise. The EPSCoR partnership paradigm requires state commitment which must be in place for future response to larger and more prestigious federal research opportunities. CHE supports the requested increase in program funds of \$982,464. FY 2007-08 funding is \$2,017,536 and the requested increase will bring funding to \$3,000,000. EPSCoR finds that the increased funding will provide an 8:1 return on the state's additional investment of \$982,464.

d.) Collaborative Educational Programs: University Center of Greenville (UCG), Operating (\$1,281,301 recurring increase includes continuing \$1,112,229 in non-recurring as recurring); Greenville Technical College – UCG Debt Service & Maintenance (continue \$635,919 non-recurring as recurring) CHE continues to support state programs that provide innovative delivery methods of undergraduate and graduate education such as the Lowcountry Graduate Center and University Center of Greenville. For FY 2008-09, the University Center of Greenville has requested increased funding and the continuation of non-recurring FY 2007-08 funds as recurring funding. The request for FY 2008-09 is to continue the recurring amount of \$427,101, move the \$1,112,229 of non-recurring funds to recurring, and increase recurring by \$169,072 – for a total of \$1,708,403. Therefore the request for FY09 is increased recurring funds of \$1,281,201. The University Center is the primary source for baccalaureate and graduate degree programs serving a nontraditional student population in the Greater Greenville Region. The Center houses 78 undergraduate and graduate programs from seven South Carolina universities (Clemson, Furman, Lander, MUSC, SC State, USC Columbia, and USC Upstate.) Also in support of University Center, Greenville Technical College requests continuation of non-recurring funding provided in FY 2007-08 for payment of debt service and maintenance needs for McAlister Square Mall, which houses the University Center of Greenville. The request continues \$635,919 in recurring of the \$1,123,000 in FY 2007-08 non-recurring funds. The request brings the total funding for Greenville Technical College for debt service and maintenance to \$1,723,710.

e.) SC Manufacturing Extension Partnership (SCMEP) (continue \$1,200,000 non-recurring as recurring): SCMEP is a private, non-profit 501(c)(3) organization funded through a cooperative agreement with the United States Department of Commerce's National Institute of Standards and Technology (NIST), matching state funds, and revenue from private and other grant sources. SCMEP, part of the nation's manufacturing extension partnership system, is governed by a fiduciary board of directors and is committed to serving small-to mid-sized

manufacturers with resources and services to help them become more competitive and productive. SCMEP's delivery of services is dependent upon relationships with partners, public agencies, non-profits and numerous private consultants. The program enables new technology, theories and innovation to transfer from the university and continuing education programs onto the manufacturing floors of the state's small companies. The organization has formal, contracted relationships with the University of South Carolina, Clemson University and the South Carolina Technical College System. State funds allow SCMEP to contract with institutions of higher education in the state to provide some services they are uniquely suited to offer manufacturers. SCMEP receives \$1,227,921 in state recurring funds and for the past several year has additionally received state matching funds of \$1,200,000 in non-recurring funds. The request is to continue the non-recurring funds of \$1,200,000 in recurring funds.

(2)

FY 2008-09 Cost Estimates:	State Non-Recurring Funds	State Recurring Funds	Federal	Other	Total
Personnel:					
(a) Number of FTEs*	0	0	0	0	0.00
(b) Salary	0	0	0	0	\$0
(c) Fringe Benefits	0	0	0	0	\$0
	0	0	0	0	0
Program/Case Services	0	0	0	0	\$ 0
Pass-Through Funds	0	0	0	0	\$ 0
Other Operating Expenses	\$4,500,000	\$6,599,684	0	0	\$11,099,684
	0	0	0	0	\$ 0
Total	\$4,500,000	\$6,599,684	\$ 0	\$ 0	\$11,099,684

(3) **Base Appropriation:**

State	\$ 4,760,349
Federal	\$ 0
Other	\$ 8,935,229

Base appropriations includes: Library other funds \$2,000,000, SC LightRail other funds \$4,500,000, EPSCoR state funds \$2,017,536, UCG Operating state funds \$427,101 and other funds \$1,112,229, UCG Debt Service & Maintenance state funds \$1,087,791 and other funds \$1,123,000, and SCMEP state funds \$1,227,921 and other funds \$1,200,000. Other funds for all programs are supplemental funds.

(4) **Is this priority associated with a Capital Budget Priority?** No

G. **Detailed Justification for FTEs:** N/A

H. **Other Comments:** None

A. **Agency Section/Code/Name:** H03 – H59/ Public Colleges and Universities

B. **Priority No. Other**

C. **(1) Title:** Lottery Funded Programs

(2) Summary Description: CHE supports on behalf of higher education continued and increased funding as outlined in the table provided for higher education programs that receive all or a portion of their funding from lottery proceeds (See Attachment 1 for information and details regarding lottery-funded higher education programs and FY 2008-09 requests).

(3) Strategic Goal/Action Plan (if applicable): Lottery programs support higher education statewide goals to expand postsecondary educational opportunities for South Carolinians; to address strategic needs of public and private higher education as identified; and to make SC a global leader by fostering higher education's role in economic growth and human development.

D. **Budget Program Name and Number:** N/A

E. **Agency Activity:** N/A

F. **Detailed Justification for Funding:**

(1) Justification for Funding Increase: Lottery funds currently provide funding for a variety of programs including scholarships and grants, Research Centers of Economic Excellence, and technology. The Commission is requesting continued funding of the programs funded in FY 2007-08 due to their successes in their respective areas. Scholarships and grants are providing incentives and support for deserving students pursuing post-secondary education. The Research Centers of Economic Excellence program is investing in long term research and economic development activities designed to promote the expansion of the state's economy. Technology funds are ensuring higher education can provide for up-to-date technology, which is critical in providing quality programs and services.

Attachment 1 enclosed details lottery funding and requests for FY 2008-09.

Summary of FY 2007-08 Higher Education Lottery Appropriations and FY 2008-09 Requests

The table outlines the higher education lottery projects funded in FY 2007-08 (FY08) and FY 2008-09 (FY09) requests. CHE seeks continued funding of all higher education lottery projects with increases as indicated herein.

Higher Education Lottery Funded Program in FY08	FY 2007-08 Lottery Funding	FY 2008-09 Request	
<i>Scholarship & Loan Programs</i>			
*Palmetto Fellows	\$28,915,490	Continue full funding	The anticipated increases for growth in FY09 are not estimated here.
*LIFE Scholarship	\$62,604,207	Continue full funding	These programs also receive state general funds in addition to lottery funds and are "open-ended" programs in that state funds are guaranteed for qualified students. Palmetto Fellows appropriations for FY08 total \$40,915,490 LIFE FY08 totals \$147,727,542.
SC HOPE	\$7,767,606	Continue full funding	The anticipated increase for growth in FY09 is not estimated here. The program is funded solely with lottery funds.
*Need Based Grants	\$11,631,566	\$35,631,566 total program funding – <u>an increase of \$12,000,000</u>	Additional funds are requested to provide college affordability for the state's neediest students. This program additionally receives general funds. Total FY08 funding is \$23,631,566 which represents 8% of the state's undergraduate student aid programs. The requested increase brings the program appropriations to \$35,631,566.
Tuition Assistance, Technical Colleges and 2-Year	\$47,000,000	<u>\$58,000,000 – an increase of \$11,000,000</u>	Additional funding is needed to stabilize the amount awarded per student in light of increased program growth.
*Tuition Grants	\$7,766,604	S.C. Tuition Grants makes rec.	Program also receives general funds and total FY08 funding is \$29,568,851
National Guard Loan Repayment Program/ Tuition Assistance Program	\$1,700,000	<u>\$3,000,000 to continue current program total funding</u>	Continues funding at FY08 level for the tuition assistance program. Program received \$1,700,000 in lottery and \$1,300,000 in supplemental funds to account for legislated changes made in 2007. (see Attachment 1)
Centers for Economic Excellence (Endowed Chairs)	\$30,000,000	\$30,000,000	
Technology: SC Public 4- & 2-year	\$12,000,000	\$12,000,000	
*SC State University	\$2,500,000	\$2,500,000	
Higher Ed. Enhancement	\$4,700,000	\$4,700,000	
TOTAL	\$216,585,473	Continued funding of higher education programs with increases as reflected above.	

* These programs also receive general funds

South Carolina Commission on Higher Education – Rankings of Higher Education Capital Project Requests

At its June 2007 meeting, the Commission approved the statewide prioritized list for Capital Improvement Bond (CIB) funding in FY2008-09. The listing follows. There are 69 requests for bonds in Year 2 (2008-09) of the Comprehensive Permanent Improvement Plan (CPIP). All projects included met the approval criteria for capital funding requests. The projects are scored and prioritized in accordance with the CHE adopted guidelines for scoring and ranking higher education capital projects for which state capital bond funds are being requested. Tied ranks are shown.

South Carolina Commission on Higher Education Statewide Ranking of Higher Education Projects for Requests for FY 2008-09 Capital Improvement Bonds

Commission Approved June 7, 2007 to be included as part of FY2008-09 Budget Request

Rank	Institution	Project Name (* denotes first priority of institution)	Project Type	CIB Funds Requested	Total Points
1	Medical University of S.C.	*College of Dental Medicine Building Construction (1)	New Construction	\$20,200,000	203.00
1	USC Columbia	*School of Law New Building Construction	New Construction	\$20,000,000	203.00
3	College of Charleston	*Expansion & Renovation of Science Facilities	New Construction/Renovation	\$53,499,001	190.50
4	Midlands Tech College	*Northeast Classroom/Engineering Facility	New Construction	\$20,000,000	187.50
5	Medical University of S.C.	College of Pharmacy Building Construction	New Construction	\$33,000,000	179.67
6	Piedmont Tech College	*Nursing/Health Science Building Renovations (Health [Bldg. H], Science [S], Utility [J])	New Construction/Renovation	\$11,904,800	179.00
7	USC Columbia	Gibbes Green Historic Facilities Renovations (LeConte/Petigru Infrastructure)	Renovation	\$20,000,000	178.67
8	USC Upstate	*Information Resource Center Construction	New Construction/Renovation	\$17,800,000	178.17
9	The Citadel	Daniel Library Improvements	New Construction/Renovation	\$17,200,000	175.34
10	Piedmont Tech College	Saluda County Extension Center	New Construction	\$1,500,000	175.16
11	Aiken Tech College	*Industrial Technology Building	New Construction	\$9,489,367	174.50
12	USC Upstate	Classroom & Student Support Building Repairs & Renovations	Renovation	\$5,300,000	171.34
13	Winthrop University	*Library Replacement	New Construction	\$35,000,000	169.67
14	USC Sumter	*Instructional Laboratories Building	New Construction	\$13,825,000	167.68
15	USC Beaufort	Performing Arts Center Renovation	Renovation	\$3,876,434	165.33
16	The Citadel	*Capers Hall Replacement	Replacement	\$30,400,000	162.84
17	Piedmont Tech College	Business/Industrial Technology Center Renovations	New Construction/Renovation	\$8,917,440	161.50
18	York Tech College	*Allied Health Classroom & Laboratory Building	New Construction	\$11,520,000	160.67
19	College of Charleston	Psychology Classroom/Laboratory Building	New Construction	\$8,000,000	160.50
19	Trident Tech College	*Nursing, Science, & Math Building	New Construction	\$20,880,000	160.50
21	Lander University	Critical Maintenance, Infrastructure, & Accessibility	Deferred Maintenance	\$6,037,000	159.34
22	Tech College of the Lowcountry	*Building 6 & 8 Renovations	Renovation	\$2,350,000	159.17
23	SC State University	*Whittaker Library Expansions & Renovations	New Construction/Renovation	\$23,547,744	158.84
24	Medical University of S.C.	Deferred Maintenance for 2008-09	Deferred Maintenance	\$18,963,000	155.84
25	Coastal Carolina University	*R. Cathcart Smith Science Center Addition & Renovation	New Construction	\$47,000,000	154.17
26	Clemson University	Air Quality & Critical Deferred Maintenance	Deferred Maintenance	\$10,000,000	154.00
27	Clemson University	Chemistry - Hunter Hall Addition Design & Construction	New Construction	\$30,000,000	152.34
28	USC Salkehatchie	Allendale Facilities Upgrades	Renovation	\$1,700,000	152.17
29	Tech College of the Lowcountry	Buildings 15 & 16 Renovations	Renovation	\$2,751,300	151.67
30	USC Lancaster	*Campus Renovations	Renovation	\$4,110,000	149.34
31	Orangeburg-Calhoun Tech College	*Automotive Training & Transportation Center	New Construction	\$2,800,000	146.50
32	Greenville Tech College	Greer (G3) Classroom Building Construction	New Construction	\$4,396,000	144.50
33	Clemson University	*Information Technology Facility Construction	New Construction	\$20,000,000	142.17
33	Williamsburg Tech College	*Technology Building	New Construction	\$7,500,000	142.17

Note: First priorities indicated with an asterisk ().*

(1) CIB request reduced to reflect FY2007-08 appropriations by \$7.5 million.

(2) CIB request reduced to reflect FY2007-08 appropriations by \$2 million.

Continued, Statewide Ranking of Higher Education Projects for Requests for FY 2008-09 Capital Improvement Bonds

<u>Rank</u>	<u>Institution</u>	<u>Project Name (* denotes first priority of institution)</u>	<u>Project Type</u>	<u>CIB Funds Requested</u>	<u>Total Points</u>
35	Central Carolina Tech College	*Health Sciences Building (2)	Renovation	\$7,557,460	141.00
36	USC Salkehatchie	*Walterboro Classroom Building Renovation & New Science Labs	New Construction/Renovation	\$2,540,676	139.34
37	USC Salkehatchie	Technology Center Construction	New Construction	\$11,720,334	135.67
38	Lander University	*New University Center Construction	New Construction	\$20,000,000	135.34
39	Florence-Darlington Tech College	Manufacturing Incubator Center*	New Construction	\$4,144,800	133.67
40	Francis Marion University	School of Education/School of Business Building Construction*	New Construction	\$15,250,000	132.34
41	Lander University	Jackson Library Renovation	Renovation	\$7,250,000	130.00
42	Horry-Georgetown Tech College	*Renovation/Expansion of Building 300	Renovation	\$6,000,000	129.33
42	Horry-Georgetown Tech College	Renovation/Expansion of Building 400	Renovation	\$6,000,000	129.33
44	Tech College of the Lowcountry	New River Technology Building	New Construction	\$12,720,000	127.67
45	Tri-County Tech College	Classroom Building	New Construction	\$9,040,000	127.33
46	USC Union	Facility Upgrades	Renovation	\$700,000	126.34
47	USC Aiken	*New Academic Center	New Construction	\$13,700,000	125.84
48	USC Beaufort	South Campus Classroom Building Construction	New Construction	\$10,853,904	121.84
49	USC Beaufort	*Science & Technology Second Floor Upfit	Renovation	\$3,886,022	121.83
50	The Citadel	Deferred Maintenance	Deferred Maintenance	\$2,530,000	120.50
51	Florence-Darlington Tech College	Automotive/Auto Body Program Expansion (Building 600)	New Construction/Renovation	\$2,880,000	119.83
52	Greenville Tech College	*Renovate Second Floor ARC for Classrooms	Renovation	\$6,813,119	119.34
53	Spartanburg Community College	*Academic/Library Building Construction - Phase II	New Construction	\$9,900,000	117.84
54	Northeastern Tech College	*Campus Expansions/Renovations	New Construction	\$1,000,000	116.83
55	USC Sumter	Deferred Maintenance Items	Deferred Maintenance	\$1,450,000	116.50
55	USC Upstate	Deferred Maintenance	Deferred Maintenance	\$3,200,000	116.50
57	Spartanburg Community College	West Building Renovation (including HVAC System)	Renovation	\$6,200,000	113.00
58	SC State University	Turner Hall D-Wing Demolition & New Construction	New Construction	\$14,350,000	101.00
59	Aiken Tech College	Nursing Building	New Construction	\$5,859,600	94.83
59	Central Carolina Tech College	Kershaw-Lee Campus Construction	New Construction	\$14,892,629	94.83
61	USC Upstate	Media Building & Nursing Building Renovation	Renovation	\$3,200,000	92.50
62	USC Aiken	Etherredge Center Classroom Additions	New Construction	\$6,800,000	79.00
62	USC Beaufort	Library Second Floor Upfit	Renovation	\$3,525,160	79.00
62	USC Union	Campus Site Redevelopment	Site Development	\$1,000,000	79.00
65	College of Charleston	Dixie Development - Phase II	Renovation	\$15,000,000	78.50
66	Florence-Darlington Tech College	Math Hub Renovation (Building 7000)	Renovation	\$2,253,991	71.00
67	USC Lancaster	Classroom Building Construction	New Construction	\$5,040,000	68.50
68	Denmark Tech College	*Academic Support Center	New Construction	\$4,800,000	46.50
69	USC Aiken	Building B&E Renovations	Renovation	\$1,500,000	46.50
GRAND TOTAL				\$787,024,781	

Note: First priorities indicated with an asterisk (*).

(1) CIB request reduced to reflect FY2007-08 appropriations by \$7.5 million.

(2) CIB request reduced to reflect FY2007-08 appropriations by \$2 million.